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RUEHIL/AMEMBASSY ISLAMABAD 5786

RUEHBUL/AMEMBASSY KABUL 2288

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RUEHLH/AMCONSUL LAHORE 1961

RUEHBI/AMCONSUL MUMBAI 9932

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RUCNDT/USMISSION USUN NEW YORK 8598

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RHHMUNA/CDR USPACOM HONOLULU HI

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RUCPDOC/DEPT OF COMMERCE WASHDC

RHHJJPI/PACOM IDHS HONOLULU HI

RHMFIISS/HQ USSOCOM MACDILL AFB FL

RHMFIISS/HQ USCENTCOM MACDILL AFB FL

RUEKJCS/SECDEF WASHDC

RUEKJCS/JOINT STAFF WASHDC

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OREP, IN

SUBJECT: PM SINGH EMPHASIZES MUTUAL BENEFITS OF NUCLEAR
DEAL TO CODEL GILLMOR

NEW DELHI 00000397 001.2 OF 006

¶1. (SBU) SUMMARY: Prime Minister Manmohan Singh told visiting US Representative Paul Gillmor (R-OH) and his delegation January 13, 2006 that the future of US-India relations was extremely promising, that India and America shared common values, that both would benefit from successful passage of legislation to operationalize the US-India civilian nuclear energy agreement, and that India had high hopes to expand annual growth as long as it could rely on reliable and environmentally-friendly sources of energy. END SUMMARY.

SHARED VALUES DEFINE OUR SHARED DESTINY

¶2. (SBU) The PM started the discussion by remembering how warmly he had been greeted in the US in July 2005, and the great courtesy extended to him by the US Congress. He affirmed that all indications remained positive for strengthened bilateral relations thanks to the fact that "our

two great democracies" share common values such as rule of the people, rule of law, protection of human and minority rights, and freedom of speech and conscience. In addition, significant numbers of Indians had settled and flourished in the US. The PM recounted how pleased he had been to see so many young Indian-Americans working in Congress when he visited in July. The new linkages, he emphasized, were creating ties that would endure. "Hardly a middle class family exists nowadays in India that does not enjoy a link to a son, daughter, brother or sister in the US," explained the PM. India, with its multi-ethnic, multi-religious society, offered an example to the world as a "special case" where all could live harmoniously in a democratic, pluralistic society.

AND THE BEST IS YET TO COME

¶3. (SBU) The PM recounted how, when he met the President in July, he told him that "the best was yet to come" in US-India relations, and how he continues to believe that to be true. If the July 18 Joint Statement was fully operationalized, insisted the PM, it could provide the basis for extensive development of bilateral relations in fifteen major areas of cooperation. The civilian nuclear energy agreement was the cornerstone of that agreement, said the PM. However, India and the US would also work together to propagate human rights, democracy, and rule of law, cooperate to enhance scientific and technical cooperation, and work in collaboration to ensure economic development. The PM reminisced about how the Ford Foundation, Rockefeller Foundation, and American universities had been of such great assistance to India in its early years as an independent country. Ohio State University, he recalled, had partnered with Punjab Agricultural University in Ludhiana to develop

NEW DELHI 00000397 002.2 OF 006

"miracle seeds" that had sparked a Green Revolution. The PM recounted that he and the President had decided to use science again to ensure a second Green Revolution.

SUSTAINED ECONOMIC GROWTH A POLICY PRIORITY

¶4. (SBU) India today had a well-functioning market economy thanks to the economic reforms of the 1990s, noted the PM. Not many states could point to 15 successive years of following a sustained policy to open markets and spur broad reform. India's economic policies that had sparked current growth had been followed through three major changes of political leadership over the past 15 years without suffering a reversal. India, announced the PM, welcomed foreign portfolio and direct investment, sought liberalized trade regimes, lowered tariffs, and strengthened patent laws to respect intellectual property rights enshrined in WTO agreements. The President and the PM had established a CEO Forum to seek further advice on ways to make trade, technology cooperation, and investment work even better. If growth increased to 8 or 9 percent, the PM speculated, the opportunities for bilateral trade and investment would be enormous. With the US as India's largest trading partner, it was ideally situated to benefit. Already, Indian private and public airlines had places staggeringly large orders for American aircraft, even though the PM admitted consternation that India's airport infrastructure had failed to keep pace with growth in the aviation sector. Rep. Walden appealed to the PM for a further lowering of agricultural tariffs so Oregon apples, pears, and cherries would have a chance in Indian markets, to the benefit of consumers and exporters.

A QUANTUM LEAP IS AT HAND

¶5. (SBU) Singh said he fervently believed that US-India relations were about to take a quantum leap in importance. The most important element of that leap, he stressed, was

securing the legislative remedies in Congress required to help India meet its burgeoning energy needs. Annual economic growth, asserted the PM, was currently in the 7-8 percent range. India's ambition, however, was to achieve 10 percent growth. Such a step was possible, thought Singh. India's savings rate was 28 percent of GDP, so capital was ample; it was also growing, because India's demographics meant the size of the working age population was growing, too, unlike in the West and in Japan. Productive jobs for that demographic segment would, in the PM's view, boost the GDP growth rate and the savings rate. In order for the government to meet their expectations, India required a growing supply of commercial energy.

BUT WE NEED PLENTIFUL, SECURE ENERGY

NEW DELHI 00000397 003.2 OF 006

¶ 16. (SBU) Were India to continue to access increasingly rare hydrocarbons and fossil fuels to trigger this dramatic growth, the damage to the inter-connected global environment would be significant, cautioned the PM. Instead, India sought an energy profile that would be less damaging. It also sought a more secure and predictable source of energy than hydrocarbons, the bulk of which India continued to import from the Middle East, triggering price and security concerns. The PM recounted how he and the President had agreed that, were competing demands for shrinking hydrocarbon resources to push oil above USD 100 per barrel, setbacks to US and Indian growth would occur. However, if Indian demand were curbed through the use of other options, especially if India could economically expand its civilian nuclear energy production capacity, such a scenario could be avoided.

THAT'S WHERE THE US COMES IN

¶ 17. (SBU) Since 1974's initial Indian nuclear test, Singh complained that the US and the rest of the world had treated India in a "discriminatory" manner that had limited its ability to expand nuclear power production despite a surfeit of qualified scientists and technicians due to the fear that technology might be diverted to strategic programs. As a result, India had failed to realize the great potential inherent in nuclear power. The President and he agreed, noted the PM, that unlocking India's potential to develop nuclear power needed to be a key, shared ambition for both countries. Securing Congressional support for the legislative changes required to undo decades of delay would be critical, insisted the PM, and he expressed his hope that the delegation would support such legislation. Undoing the restrictions in place since 1974, emphasized the PM, would do away with the Indian sense of grievance that the rich world had placed unfair restrictions on a poor country that stifled its growth even as China had been allowed unfettered ability to develop its capability and export its know-how. If India were to remain stifled, cautioned the PM, then only China in this part of the world would remain unrestricted. This, opined the PM, would not be in America's interests.

BUT INDIA WILL ALSO DO ITS PART

¶ 18. (SBU) To facilitate passage of necessary US legislation, the PM said India had firmly committed itself to the separation of its civilian and military nuclear assets. India had also decided that, once separated, its civilian sites would become fully safeguarded. India was not an adherent of the Nuclear Non-Proliferation Treaty (NPT), mentioned Singh, but it had undertaken obligations that were

NEW DELHI 00000397 004.2 OF 006

similar to those enshrined in the treaty by imposing a

moratorium on further tests, ensuring an "impeccable" record of thwarting onward proliferation, tightening its export control laws to ensure no unauthorized transfers of technology or materials, and working in the multilateral arena and with the US to work out controls on fissile materials. In order to secure US help to expand its civilian nuclear energy production capacity, insisted the PM, India would do its part. On this point, underlined the PM, the world was entitled to have India's assurances. The US should have no doubt, he declared; India would not be the source of any proliferation of sensitive nuclear technologies or materials.

GILLMOR: THIS NUCLEAR DEAL IS IN OUR INTERESTS

19. (SBU) Rep. Gillmor thanked the PM for his statement, arguing that his visit to Washington had been a great success thanks to his character and leadership. Gillmor added that the nuclear agreement sketched out by the PM was in our mutual interests as large democracies, but also in the environmental interest of the entire world. Gillmor acknowledged the "strong and positive" message from the PM about the nuclear agreement, and promised to convey to Congress the importance of the matter. Gillmor explained that the proposed agreement with India signified "a big change in policy" that would require careful planning, although he stressed that he was in no way implying the deal could not be approved. Gillmor also mentioned Ohio's tremendous coal reserves, and how delighted he was that India and the US would work together on clean coal technologies.

JINDAL: NUCLEAR DEAL AVOIDS COMPETITION FROM MIDDLE EAST

110. (SBU) Rep. Jindal commended the PM for the success of his economic policies as Finance Minister that had yielded such prosperity for India. Jindal also thanked India for its support in the IAEA on Iran. Jindal agreed that Indian and American strategic interests were in harmony, but stressed the even greater importance of shared values, which transcend the issues of the day. He added that there was no need to convince him of the inherent logic of the nuclear agreement; India and America could either compete for scarce hydrocarbons from an unstable Middle East or follow the path charted by the President and PM. Jindal said he was gratified to know that the PM was so focused on the future potential of the US-India relationship, which he thought would evolve in an historic fashion.

KUCINICH: NEED TO CONVINCE THE CONGRESS

NEW DELHI 00000397 005.2 OF 006

111. (SBU) Rep. Kucinich lauded India for having proven its trustworthiness in matters of onward proliferation, but added that Congress needs to understand clearly how a change in the nuclear architecture for India might change the entire global nuclear framework. Would it, he asked, be viewed as proliferation, or a step to enhance non-proliferation? The NPT, he reminded, had called for the abolition of nuclear weapons. The PM noted that India had a firm "no first use" policy despite facing two nuclear neighbors; America had to take note of the "nuclear blackmail" facing India. Rep. Costello said there were many friends of India in the Congress, but the success of the vote would depend on its details, not on the size of the India caucus. Since Under Secretary of State Burns would be in India in a few days,

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Costello urged India to work closely with him to explain such a "major shift in policy."

INDO-PAK

¶12. (SBU) Rep. Kucinich reminded the PM of the Nunn-Lugar Comprehensive Threat Reduction Initiative between the US and USSR during the Cold War, and offered it as a possible model for India and Pakistan to diminish tensions and build trust and confidence. Such a step, if adopted, argued Kucinich, would bolster Congress' confidence in the nuclear deal.

PSEUDO-EPHEDRINE

¶13. (SBU) Rep. Walden raised his concern about Indian manufacture and export of pseudo-ephedrine, a legitimate pharmaceutical product which, if used illegally, contributed to the manufacture in the US of toxic methamphetamine, a drug with devastating effect on the people of the rural US. Walden appealed to the PM to work to establish export controls to curb abuse of the drug. The PM readily committed to looking into establishing such a protocol with the US to prevent any abuse of Indian exports of pseudo-ephedrine.

DEFENSE COOPERATION

¶14. (SBU) Rep. Granger mentioned that the Bell 407 is manufactured in her district, and expressed her hope that India would consider the Bell 407 in replacing the Cheetah helicopter. The PM said that US-India defense relations had caught a favorable tide, with a new Framework Agreement for Defense Cooperation, as well as numerous joint exercises and a healthy dialogue.

PARTICIPANTS

NEW DELHI 00000397 006.2 OF 006

¶15. (SBU) INDIA:

Prime Minister Manmohan Singh
Foreign Secretary Shyam Saran
National Security Advisor MK Narayanan
PM's Media Advisor Sanjay Baru
PM's Office Director Venkatesh Verma
PM's Office Joint Secretary Sujata Mehta
PM's Principal Secretary TKA Nair
MEA Joint Secretary for the Americas Dr. Jaishankar

USA:

Ambassador Mulford
Rep. Paul Gillmor (R-OH)
Rep. Jerry Costello (D-IL)
Rep. Sam Johnson (R-TX)
Rep. Kay Granger (R-TX)
Rep. Dennis Kucinich (D-OH)
Rep. Greg Walden (R-OR)
Rep. Bobby Jindal (R-LA)
Chris Walker, Assistant to the Speaker for Policy
Atul Keshap, Deputy Political Counselor (notetaker)

¶16. (U) CODEL Gillmor reviewed this cable prior to its transmittal.

¶17. (U) Visit New Delhi's Classified Website
(<http://www.state.sgov.gov/p/sa/newdelhi/>)
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